

Fact Sheet

CORPORATE GOVERNANCE

California Public Employees' Retirement System • 400 Q Street • Sacramento, California 95814

CalPERS 2006 Focus List Company At-A-Glance

Sovereign Bancorp Inc. (SOV) – Philadelphia, Pennsylvania

CalPERS' Holdings: 1.49 million shares (0.42% of outstanding shares)

Total Return Performance for Selected Periods Ending 03/31/06

Time Period Ended 3/31/2006	Sovereign Bancorp Inc (SOV)	S&P 500 Index	Thriffs & Mortgage Finance S&P Industry Peer Index*
5 years	168.34%	21.46%	17.90%
3 years	61.41%	61.05%	19.67%
1 year	-0.22%	11.72%	4.83%

Source: FactSet

The Problems:

- Excessive takeover defenses – The company has a classified board structure, 80% supermajority requirements to amend certain provisions of the charter and bylaws, and a poison pill that is not shareowner approved. Sovereign's poison pill has a very low triggering ownership threshold of 9.9%.
- Limited shareowners rights – Shareowners may not act by written consent, call special meetings, or remove directors without cause. No majority voting for directors.
- Concern over board culture – The lead director has served on the board for over 19 years, and serves on key committees including the Compensation Committee. Severance agreements are in place for non-employee directors, a practice that is highly uncommon.

CalPERS 2006 Shareowner Proposal:

CalPERS seeks to remove the company's classified or "staggered" board structure. CalPERS believes that annual elections for directors provides greater accountability to shareowners.